



State of Utah

Department of Natural Resources

MICHAEL R. STYLER
Executive Director

Division of Oil, Gas & Mining

MARY ANN WRIGHT
Acting Division Director

JON M. HUNTSMAN, JR.
Governor

GARY R. HERBERT
Lieutenant Governor

January 21, 2005

Mark Carter
MMG Mining
3655 Lupin Way
St. George, Utah 84790

Subject: Formal Approval of Form and Amount of Reclamation Surety, MMG Mining, Bald Knoll Mine, S/025/012, Kane County, Utah

Dear Mr. Carter:

On January 18, 2005, the Acting Director of the Division of Oil, Gas and Mining, signed and executed your Reclamation Contract. Copies of the Reclamation Contract and Letter of Credit, issued by The Village Bank, are enclosed for your records. We will also forward copies to the BLM state and field offices for their records.

This is another reminder that we are still awaiting your response to item #4 of the Division Directive (marking remaining 4.28 acre boundary w/metal t-posts) so this Directive can be terminated. Please inform us as soon as this item has been completed. You have previously been advised that we will not be able to address a transfer of this project until all directives have been satisfied.

If you have questions or concerns regarding this letter, please contact me at (801) 538-5325 or Tom Munson at 538-5321.

Sincerely,

Daron R. Haddock
Permit Supervisor
Minerals Regulatory Program

DRH:tm:jb

Enclosure: Copy of RC & surety forms

cc: John Blake, SITLA

(ML-046614) w/Encl

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FORM MR-RC
Revised November 1, 2004
RECLAMATION CONTRACT

File Number S/025/012
Effective Date Jan 18, 2005
Other Agency File Number ML 46614

STATE OF UTAH
DEPARTMENT OF NATURAL RESOURCES
DIVISION of OIL, GAS and MINING
1594 West North Temple Suite 1210
Box 145801
Salt Lake City, Utah 84114-5801
(801) 538-5291
Fax: (801) 359-3940

RECEIVED

JAN 06 2005

RECLAMATION CONTRACT

---ooOoo---

DIV. OF OIL, GAS & MINING

For the purpose of this RECLAMATION CONTRACT the terms below are defined as follows:

"NOTICE OF INTENTION" (NOI): (File No.)
(Mineral Mined)

S/025/012
SHALE

"MINE LOCATION":
(Name of Mine)
(Description)

Bald Knoll
Twenty Six miles north
of Kanab Ut off of the
Johnson Canyon Road

"DISTURBED AREA":
(Disturbed Acres)
(Legal Description)

4.3
(refer to Attachment "A")

"OPERATOR":
(Company or Name)
(Address)

M M G Mining
3655 Lupin Way
St. George Ut 84790

(Phone)

(435) 628-4330

"OPERATOR'S REGISTERED AGENT":

Name)

(Address)

(Phone)

Mark CARTER
3655 Lupin Way
St. George UT 84770
435) 628-4330

"OPERATOR'S OFFICER(S)":

Mark CARTER Owner
MICHELLE CARTER "

SURETY":

(Form of Surety - Attachment B)

Letter of Credit

"SURETY COMPANY":

(Name, Policy or Acct. No.)

Village Bank
544

"SURETY AMOUNT":

(Escalated Dollars)

\$ 16,700⁰⁰

"ESCALATION YEAR":

2005

"STATE":

"DIVISION":

"BOARD":

State of Utah
Division of Oil, Gas and Mining
Board of Oil, Gas and Mining

ATTACHMENTS:

A "DISTURBED AREA":

B "SURETY":

This Reclamation Contract (hereinafter referred to as "Contract") is entered into between MMG Mining the "Operator" and the Utah State Division of Oil, Gas and Mining ("Division").

WHEREAS, Operator desires to conduct mining operations under Notice of Intention (NOI) File No. 5/025/012 which has been approved/accepted by the Utah State Division of Oil, Gas and Mining under the Utah Mined Land Reclamation Act, Sections 40-8-1 et seq., Utah Code Annotated, (1953, as amended) (hereinafter referred to as "Act") and implementing rules; and

WHEREAS, Operator is obligated to reclaim that area described as the Disturbed Area as set forth and in accordance with Operator's approved/accepted Reclamation Plan or Notice, and Operator is obligated to provide surety in form and amount approved by the Division, to assure reclamation of the Disturbed Area.

NOW, THEREFORE, the Division and the Operator agree as follows:

1. Operator agrees to conduct reclamation of the Disturbed Area in accordance with the Act and implementing regulations, the approved/accepted Notice of Intention and Reclamation Plan or Notice received June 29, 1993. The Notice of Intention and the Reclamation Plan, as amended, are incorporated by this reference and made a part hereof.
2. Concurrent with the execution hereof, Operator has provided surety to assure that reclamation is conducted, in form and amount acceptable to the Division. Such surety as evidenced by the Surety Contract is in the form of the surety attached hereto as Attachment B and made a part hereof. The Surety Contract shall remain in full force and effect according to its terms unless modified by the Division in writing. If the Surety Contract expressly provides for cancellation, then, within 60 days following the Division's receipt of notice that the Surety Company intends to cancel the Surety Contract, the Operator shall provide a replacement Surety Contract in a form and amount reasonably acceptable to the Division. If the Operator fails to provide an acceptable replacement Surety Contract, the Division may order the Operator to cease further mining activities and to begin immediate reclamation of the Disturbed Area.
3. Operator agrees to pay legally determined public liability and property damage claims resulting from mining to the extent provided in Section 40-8-7(1)(e) of the Act.
4. Operator agrees to perform all duties and fulfill all reclamation requirements applicable to the mine as required by the Act and implementing rules, the Notice of Intention, as amended and the Reclamation Plan, as amended.
5. The Operator's liability under this Contract shall continue in full force and effect until the Division certifies that the Operator has reclaimed the Disturbed Area in accordance with the Act and implementing rules, the Notice of Intention, as amended and the Reclamation Plan, as amended.
6. If reclamation of discrete sections of the Disturbed Area is completed to the satisfaction of the Division, and the Division finds that such sections are severable from the remainder of the Disturbed Area, Operator may request the Division to certify that Operator has reclaimed such discrete sections of the Disturbed Area in accordance with the Act and Implementing rules, the Notice of Intention, as amended and the Reclamation Plan, as amended. If the Division makes such certification, Operator may make request to the Division that the aggregate face

amount of the Surety Contract provided pursuant to paragraph 2 be reduced to an amount necessary to provide for completion of the remaining reclamation. The Division shall hear Operator's request for such reduction in accordance with the Board's Procedural Rules concerning requests for Agency Action.

7. Operator agrees to indemnify and hold harmless the State, Board and the Division from any claim, demand, liability, cost, charge, suit, or obligation of whatsoever nature arising from the failure of Operator or Operator's agents and employees, or contractors to comply with this Contract.
8. Operator may, at any time, submit a request to the Division to substitute surety. The Division may approve such substitution if the substitute surety meets the requirements of the Act and the implementing rules.
9. This Contract shall be governed and construed in accordance with the laws of the State of Utah.
10. If Operator shall default in the performance of its obligations hereunder, Operator agrees to pay all costs and expenses, including reasonable attorney's fees and costs incurred by the Division and/or the Board in the enforcement of this Contract.
11. Any breach that the Division finds to be material of the provisions of this Contract by Operator may, at the discretion of the Division, result in an order to cease mining operations. After opportunity for notice and hearing, the Board of Oil, Gas and Mining may enter an order to revoke the Notice of Intention, order reclamation, or order forfeiture of the Surety Contract, or take such other action as is authorized by law.
12. In the event of forfeiture of the Surety Contract, Operator shall be liable for any additional costs in excess of the surety amount which are required to comply with this Contract. Any excess monies resulting from forfeiture of the Surety Contract, upon completion of reclamation and compliance with this Contract, shall be returned to the rightful claimant.
13. This Contract including the Notice of Intention, as amended and the Reclamation Plan, as amended, represents the entire agreement of the parties involved, and any modification must be approved in writing by the parties involved.
14. Each signatory below represents that he/she is authorized to execute this Contract on behalf of the named party.

OPERATOR:

MMG Mining
Operator Name

By MARK CARTER
Authorized Officer (Typed or Printed)

OWNER
Authorized Officer - Position

[Signature] 1-3-05
Officer's Signature Date

STATE OF UTAH)
COUNTY OF WASHINGTON) ss:

On the 3 day of JANUARY, 2005, MARK CARTER
personally appeared before me, who being by me duly sworn did say that he/she is the
OWNER of MMG MINING and
duly acknowledged that said instrument was signed on behalf of said company by
authority of its bylaws or a resolution of its board of directors and said
MARK CARTER duly acknowledged to me that said
company executed the same.

[Signature]
Notary Public
Residing at 825 S 100 E
11-20-2007
My Commission Expires:



DIVISION OF OIL, GAS AND MINING:

By Mary Ann Wright
Mary Ann Wright, Acting Director

Date 1/18/05

STATE OF Utah)
COUNTY OF Salt Lake) ss:

On the 18th day of January, 2005, Mary Ann Wright personally appeared before me, who being duly sworn did say that she, the said Mary Ann Wright is the Acting Director of the Division of Oil, Gas and Mining, Department of Natural Resources, State of Utah, and she duly acknowledged to me that she executed the foregoing document by authority of law on behalf of the State of Utah.



Joelle Burns
Notary Public
Residing at: S L C Utah

April 4, 2005
My Commission Expires:

ATTACHMENT "A"

MMG Mining
Operator

Bald Knoll
Mine Name

5/025/012
Permit Number

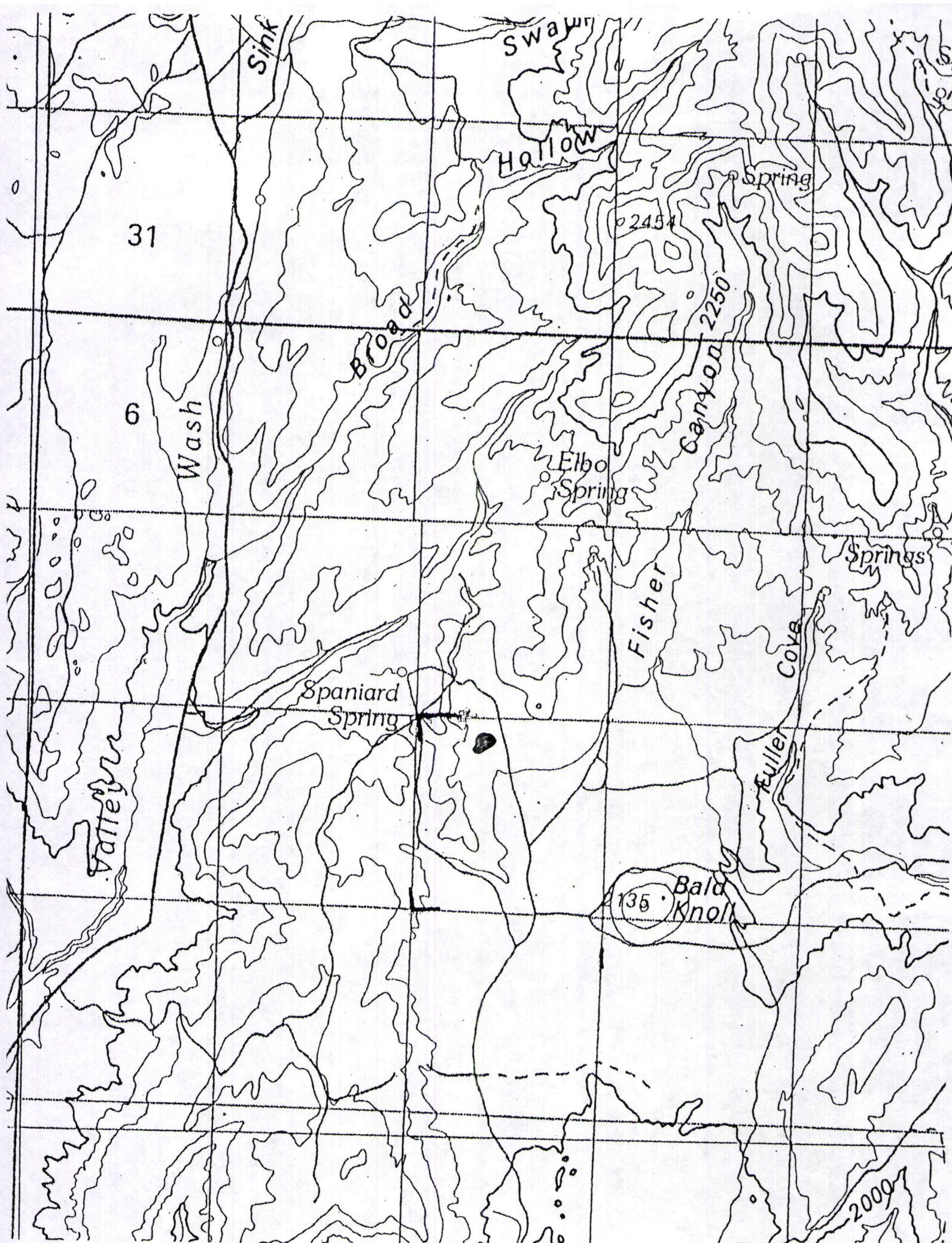
KANE County, Utah

LEGAL DESCRIPTION

Include 1/4, 1/4, 1/4 sections, townships, ranges and any other descriptions that will legally determine where disturbed lands are located. Attach a topographic map of suitable scale (max. 1 inch = 500 feet; 1 inch = 200 feet or larger scale is preferred) showing township, range and sections and a clear outline of the disturbed area boundaries tied to this Reclamation Contract and surety.

The detailed legal description of lands to be disturbed includes portions of the following lands not to exceed 4.3 acres under the approved / accepted permit and surety, as reflected on the attached map labeled Bald Knoll Mine and dated June 2004 :

Sec 16 Twp 40 S Range 5 West SLB&M
NW 1/4, NW 1/4



Letter of Credit No. 44Date: DECEMBER 10, 2004

UTAH DIVISION OF OIL, GAS AND MINING
1594 West North Temple Suite 1210
Box 145801
Salt Lake City, Utah 84114-5801

RECEIVED

JAN 06 2005

DIV OF OIL GAS & MINING

Gentlemen and Ladies:

1. The Village Bank [Name of Bank or Surety] ("Surety"), of St. George, UT [city/state], hereby establishes this irrevocable letter of credit (the "Letter of Credit") in favor of the Utah Division of Oil, Gas and Mining ("Division") for an aggregate amount not to exceed \$16,700.00***** [reclamation cost estimate] in United States dollars ("Face Amount") effective immediately.

2. This Letter of Credit will expire upon the first event set forth as follows: (a) 5:00 o'clock p.m. (Salt Lake City time) on 06/10/05 [expiration date] or (b) the date upon which sufficient documents are executed by the Division to release Mark H. Carter ("Operator") from further liability for reclamation of the Bard Knoll [mine], 5/025/012 [mine permit #] with notice to Bank or Surety by the Division accompanied by the original Letter of Credit with directions for cancellation.

3. This Letter of Credit will be automatically extended for successive periods of one year from the current or any future expiration date unless the Surety gives notice to the Division 90 days prior to the expiration date that the Surety elects not to renew the Letter of Credit.

4. Funds under the Letter of Credit are available against the Division's sight draft, in the form of Exhibit A, specifying Letter of Credit No. 44 delivered to the office of the Surety, 94 East Tabernacle, St George, Ut 84770 [address]. At the Division's sole election, the Division may present sight drafts for less than the Face Amount so long as the aggregate amount of all sight drafts does not exceed the Face Amount. Each draft must be accompanied by a certificate in the form of Exhibit B, signed by a duly authorized representative of the Division.

5. If the Surety receives the Division's sight draft(s) and certificate(s) as provided in Paragraph No. 4 above on or before the expiration or termination of this Letter of Credit, the Surety will make such amount as the Division may specify, within the limits of the second sentence of Paragraph No. 4 of this Letter of Credit, available to the Division no later than the close of business, Salt Lake City time, on the second business day following the Surety's receipt of the sight draft and certificate and in such a manner as the Division may specify.

6. The Surety will give prompt notice to the Operator and to the Division Director of any notice received or action filed alleging the insolvency or bankruptcy of the Surety, or alleging any violations of regulatory requirements which could result in suspension or revocation of the Surety's charter or license to do business.

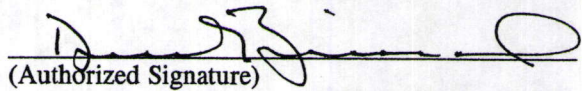
7. The Letter of Credit will be governed by the laws of the State of Utah and shall be subject to the Uniform Customs and Practice for Documentary Credit, 1993 revision, International Chamber of Commerce Publication No. 500, as the same may be amended and in effect from time to time ("UCP"). In the event of a conflict between Utah law and the UCP, Utah law shall govern.

8. All communications regarding this Letter of Credit will be addressed to the Surety
94 East Tabernacle, St. George, Ut 84770 [address], referencing Letter of
Credit No. 44.

Very truly yours,

The Village Bank
The Surety/or Bank

By: Douglas G. Bringhurst
(Name typed or printed)


(Authorized Signature)

Title: President



State of Utah
DEPARTMENT OF NATURAL RESOURCES
DIVISION OF OIL, GAS AND MINING

Michael O. Leavitt
Governor
Ted Stewart
Executive Director
James W. Carter
Division Director

1594 West North Temple, Suite 1210
Box 145801
Salt Lake City, Utah 84114-5801
801-538-5340
801-359-3940 (Fax)
801-538-7223 (TDD)

EXHIBIT B

to
Letter of Credit Number 44

I, _____ a duly authorized representative of the Utah Division of Oil, Gas and Mining, hereby certify that (1) the drawing in the amount of \$*16,700.00*, by sight draft accompanying this certificate, under Letter of Credit No. 44 dated December 10, 2004 issued by you is permitted under the provision of the Letter of Credit, (2) the Letter of Credit has neither expired nor terminated pursuant to its terms, (3) the amount of the sight draft, together with any amounts previously drawn under the Letter of Credit, does not exceed the Face Amount, and (4) the Utah Board of Oil, Gas and Mining, after notice and hearing, has entered an Order which has not been stayed, ordering forfeiture of Letter of Credit No. 44 in accordance with applicable law. Proceeds of this drawing will be utilized in full to pay the expenses relating to the reclamation liability, together with the costs of collection, including attorneys fees, for the _____ [mine], _____ [mine permit #].

The Utah Division of Oil, Gas and Mining

By: _____
Authorized Signature

Date _____

3:LOC